



Corporate Profile

Endless Energy Corporation is a Canadian junior oil and gas exploration and development company with production in Alberta and British Columbia. Endless Energy is also participating in two major exploration projects offshore near Sable Island, Nova Scotia.

Endless Energy is a prospect generating company which commenced operations in 1997 with a small, dedicated technical team who, combined, have over 400 years of experience in the oil and gas industry.

Common shares of Endless Energy Corporation trade on the Canadian Venture Exchange under the symbol EEC.

2000 Highlights

Endless Energy eliminated debt in 2000 and acquired promising royalty properties offshore Nova Scotia.

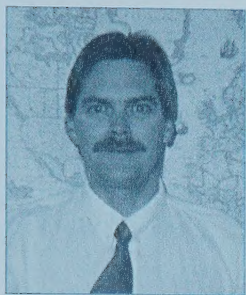
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Annual General Meeting

The Annual General Meeting of Shareholders will be held on Monday, June 18, 2001 at 10:00 a.m. in the Cardium Room at the Calgary Petroleum Club, 319 - 5th Avenue S.W. Calgary, Alberta. Those shareholders unable to attend are encouraged to complete and return the form of proxy mailed to the shareholders with this annual report.

President's Message to Shareholders



Jon Axford
President

The year 2000 was a transition year for Endless Energy Corporation. More than one million dollars in debt was eliminated by the sale of specific properties. Other properties were acquired, which will now become the focus of the company. This provides the foundation for Endless Energy to enter a growth phase.

2000: LOOKING BACK

The highlights in 2000 included:

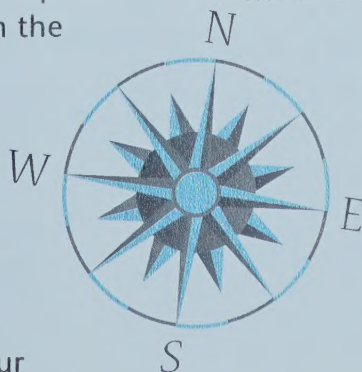
Offshore Atlantic

The company acquired royalty properties offshore Nova Scotia. Over 1.5 million acres were purchased by three separate companies. Three wells are scheduled to be drilled on these properties over the next eighteen months. Endless Energy owns a one-quarter of one percent overriding royalty on these properties. The royalties have been assessed by Chapman Petroleum Engineering Ltd. at \$8.5 million to the company upon successful drilling. The company also plans additional acquisitions in the future.

Edmonton Area

The company has significantly increased holdings in the Edmonton area, and we plan to make this area our

core focus. At Redwater the company owns and operates interests in eight sections with working interests ranging from 24% to 35%. Just north of Edmonton at Campbell, our company owns 3 $\frac{1}{2}$ sections with working interests ranging from 25% to 100%. Further north, we acquired a 100% interest in 1 $\frac{1}{4}$ sections at Volmer and a 40% interest in 2 sections at Sounding Lake. In these areas we have numerous shallow drilling locations, several re-works and two re-entries to boost our production. Our cash flow will be focussed on these operations. Also present at these locations are several deeper wildcat opportunities which will be farmed out.



Pocketknife

Endless Energy's Pocketknife property was successfully re-worked. The company is looking at additional wells to re-work and tie in.



President's Message to the Shareholders

Other Properties

The company has retained sixteen other properties, all of which have drillable locations and/or shut-in wells which can be harvested during 2001 and beyond. As well as the Edmonton wildcats, promising wildcat locations are available at Chigwell, Gull Lake and Enchant in Alberta and at Lucy in British Columbia.

Vice-President of Production, a new dimension is being brought into the company, strengthening the management team and enhancing our ability to grow.

In a market where judgements are made quarter by quarter, it is important to remember that hard work frequently takes longer than ninety days to generate results.

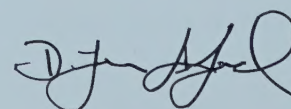
*"Prospect generation, seeking financial partners, increasing production, and the daily running of our company require the *endless energy* of people who work tirelessly for the shareholders"*

2001: LOOKING FORWARD

The ever-increasing administrative, regulatory and operating duties of the company have made it necessary to re-evaluate our staffing requirements. Therefore, subsequent to year-end, an important development is the merger into Endless Energy, of Valkyrie Resources Inc. This merger is as much an acquisition of people as of assets. Endless Energy Corp. is a company with a large, experienced and unpaid exploration department. Now, with Kevin Dickson from Valkyrie Resources Inc. joining us as

Prospect generation, seeking financial partners, increasing production, and the daily running of our company require the *endless energy* of people who work tirelessly for the shareholders. I have tremendous admiration for our team. As a direct result of their dedicated efforts over the last three years, I am confident that 2001 will be a very successful year.

On behalf of the Board of Directors,

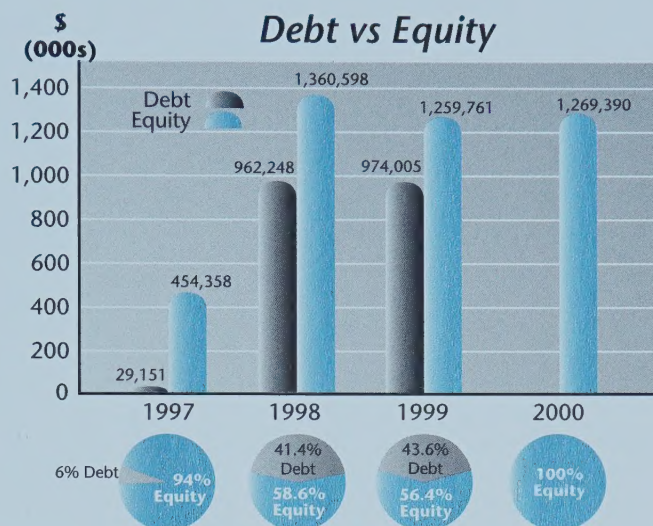


Jon Axford
President
May 10th, 2001

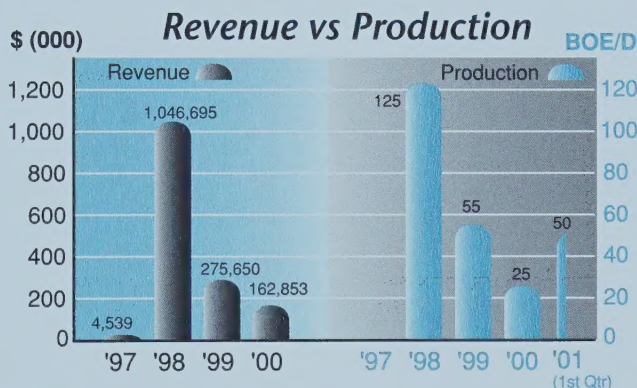


Performance

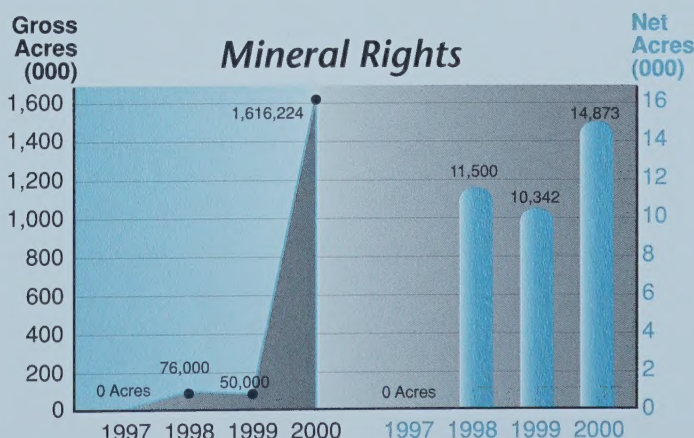
The graphs (right) illustrate the relationship between debt and equity. The bar graph compares debt to equity for the four fiscal years 1997-2000. Pie Graphs corresponding to each year show debt and equity proportionally. Note the absence of debt for fiscal year 2000.



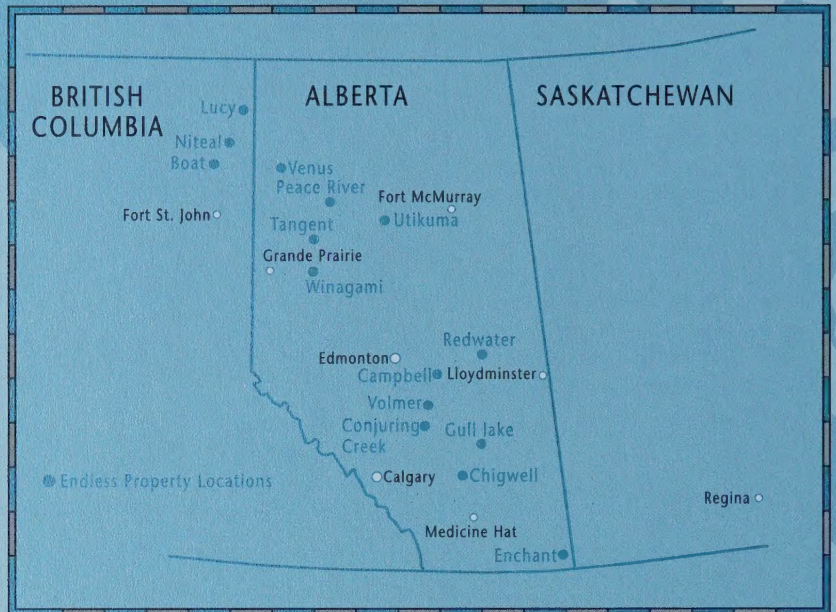
Total revenue generated each year appears to the left. During fiscal year 2000 debt was eliminated, financed in part through the sale of some gas/oil producing properties. Production of gas/oil, measured in Barrels of Oil Equivalent per Day, appears to the right. First quarter production for 2001 is represented by the thin blue bar (far right). Daily production has doubled since the 2000 year.



The left side of the graph displays total acreage in which Endless Energy has held an interest, beginning in 1997. Blue bars translate gross acres (jointly held with other firms) to net acres representing the Endless Energy share.

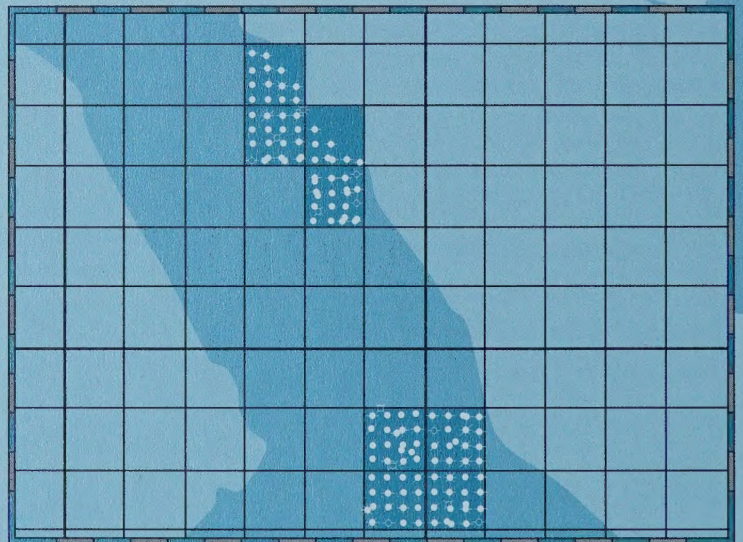


British Columbia, Alberta, & Saskatchewan



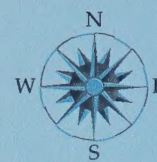
Redwater

- Producing Land
- Endless Energy Land
- Location
- Gas
- Abandoned Oil
- Suspended Oil
- Abandoned Gas
- Suspended
- Dry & Abandoned Oil
- Suspended Gas
- Oil Well

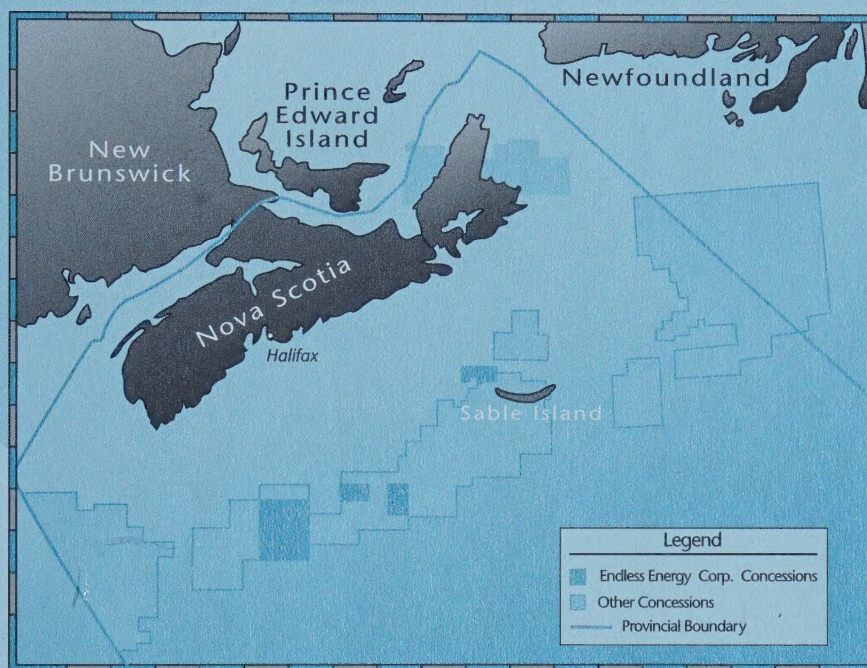


The property, located 25 miles north-east of Edmonton, Alberta, comprises 4,480 gross acres and 1,568 net acres. Endless Energy has a 35% working interest and is the operator. These lands have probable reserves assigned of \$399,800 for the Viking formation. The corporation has recently drilled a Viking gas well. Several other zones exist.

Operations Review



Sable Island



Offshore Nova Scotia is the emerging giant gas play of North America. Close to north eastern U.S. markets and now tied in by the Maritimes and North East Pipeline, the area is set up for expansion.

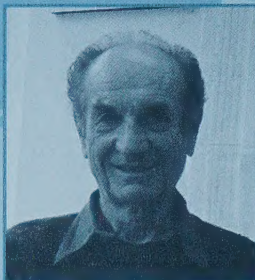
Endless Energy owns a one quarter of one percent gross overriding royalty on six exploration licences totalling over 1.5 million acres. Three wells are scheduled to be drilled over the next 18 months.

These wells target Jurassic reefs and Turbidite plays.

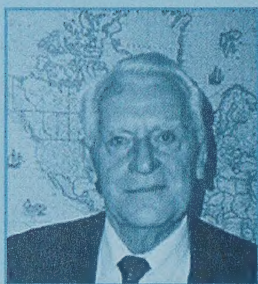




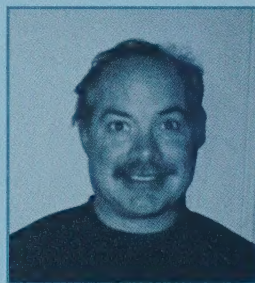
Ralph Edie
PhD Geology, Exploration



John Andrichuk
PhD Geology, Exploration



Oscar Erdman
PhD. Geology, Exploration



Larry S. Martin
Chief Financial Officer



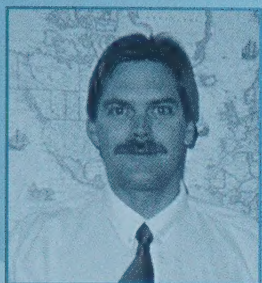
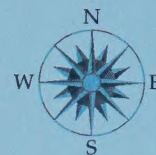
Howard Walls
Gas Marketing



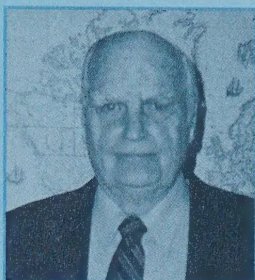
Barb Goodwin
Administrative Assistant



Personnel



D. Jon Axford
Director, President



Donald W. Axford
*Director,
Geologist, Exploration*



Byron J. Seaman
Director



Victor Skurat
Director, Corporate Finance



William H. Smith, Q.C.
Corporate Secretary



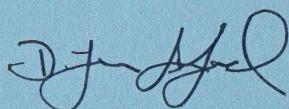
Management's Report

The management of Endless Energy Corporation is responsible for the preparation of the accompanying financial statements and all other information contained in this annual report. The consolidated financial statements have been prepared by management in accordance with accounting principles generally accepted in Canada and according to the policies detailed in the notes.

The company maintains an appropriate system of internal controls to provide reasonable assurance that assets are properly safeguarded and the financial records are sufficiently well maintained to provide relevant, timely and reliable information to management.

Hudson and Company, an independent firm of chartered accountants, has examined the financial statements and has provided a professional opinion on them, based on generally accepted auditing standards.

An Audit Committee of the Board of Directors has reviewed these consolidated financial statements with management and the external auditors. The Board of Directors has approved the financial statements based on the recommendation of the Audit Committee.



D. Jon Axford

President and Director

March 7, 2001

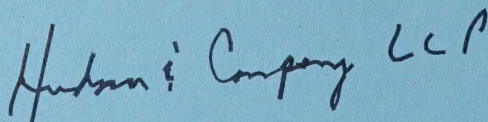
Auditors' Report

To the Shareholders of Endless Energy Corporation

We have audited the balance sheets of Endless Energy Corporation as at December 31, 2000 and 1999 and the statements of loss and retained earnings (deficit) and cash flows for the years then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the company as at December 31, 2000 and December 31, 1999 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.



HUDSON AND COMPANY, LLP
Chartered Accountants
Calgary, Alberta

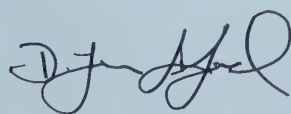
March 7, 2001

Balance Sheet

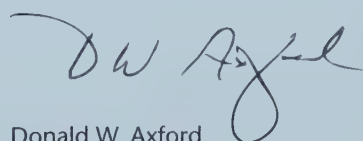
As at	December 31 2000	December 31 1999
Assets		
Current Assets		
Cash	35,737	-
Accounts receivable	311,552	160,030
Prepays	11,100	4,232
	358,389	164,262
Property and equipment (Note 3)	1,767,428	2,183,191
	2,125,817	2,347,453
Liabilities and Shareholders' Equity		
Liabilities		
Current Liabilities		
Bank indebtedness	-	573,538
Accounts payable	718,967	400,467
	718,967	974,005
Future tax liability	152,362	109,687
Site restoration	4,000	4,000
	875,329	1,087,692
Shareholders' Equity		
Common shares (Note 4)	1,296,786	1,119,260
Retained earnings	(46,298)	140,501
	1,250,488	1,259,761
	2,125,817	2,347,453

Commitments (Note 7)

Approved on behalf of the board



D. Jon Axford
Director



Donald W. Axford
Director

Statements of Loss & Retained Earnings

Twelve months ended December 31		
	2000 \$	1999 \$
Revenue		
Royalty	137,845	273,577
Interest income	25,008	-
	162,853	273,577
Expenses		
General and administrative	312,868	259,186
Interest	25,929	43,023
Depletion and amortization	41,524	186,435
	380,321	488,644
Loss before taxes	(217,468)	(215,067)
Income taxes (Note 8)		
Current taxes	-	482
Future tax benefit	30,669	(101,200)
	30,669	(100,718)
Net loss	(186,799)	(114,349)
Retained earnings, beginning of year	140,501	254,850
Retained earnings (deficit), end of year	(46,298)	140,501
Loss per common share (basic and fully diluted) (Note 5)	(0.034)	(0.022)

Statements of Cash Flows

Twelve months ended December 31

	2000 \$	1999 \$
Operating activities		
Net loss	(186,799)	(114,349)
Items not affecting cash		
Depletion and amortization	41,524	186,435
Future tax benefit	(30,669)	(101,200)
Funds from operations	(175,944)	(29,114)
Change in non-cash working capital (Note 6)	160,109	39,995
	(15,834)	10,881
Financing Activities		
Issuance of share capital	91,032	24,400
Exercise of options	86,494	-
	177,526	24,400
Investing Activities		
Additions to property and equipment	(299,917)	(454,390)
Dispositions of property and equipment	747,500	400,000
	447,583	(54,390)
Increase (decrease) in cash	609,275	(19,109)
Cash (deficiency), beginning of year	(573,538)	(554,429)
Cash (deficiency), end of year	35,737	(573,538)
Cash flow (deficiency) per common share (basic and fully diluted) (Note 5)	(0.032)	(0.002)

Cash consists of cash in the bank net of outstanding cheques.

Notes to Financial Statements

December 31, 2000 and 1999

1. General

The company was incorporated under the Business Corporation Act (Alberta) on March 27, 1997.

2. Significant Accounting Policies

Joint Venture Accounting

Substantially all of the company's petroleum and natural gas activities are conducted jointly with others. The financial statements reflect only the company's proportionate interests in such activities.

Capital Costs

The company follows the full cost method of accounting whereby all costs related to the acquisition, exploration and development of petroleum and natural gas reserves are initially capitalized. Such costs include lease acquisition costs, geological and geophysical expenditures, lease rentals on non-productive properties, costs of drilling both productive and non-productive wells, equipment costs and general and administrative expenses applicable to these activities.

Amortization and Depletion

Amortization and depletion of petroleum and natural gas properties are provided for on the unit-of-production method based on estimated proven petroleum and natural gas reserves as determined by independent engineers.

Computer equipment is recorded at cost and is amortized using the declining balance method at a rate of 30%.

Site Restoration

The estimated costs of future removal and site restoration of petroleum and natural gas properties are provided for on the unit of production method. The annual charge is made to site restoration expense and actual site restoration expenses will be charged to the accumulated future site restoration account as incurred.

Ceiling Test

Each period the company applies a ceiling test to capitalize costs to ensure that the net carrying value of petroleum and natural gas properties does not exceed the estimated value of future net revenues (calculated using current prices) from the production of proven reserves less related general and administrative expenses, financing costs, estimated future site restoration costs and income taxes. Any permanent impairment in value is charged to operations.

Notes to Financial Statements

Future Income Taxes

Future income taxes arise from timing differences in recognizing the book value of all liabilities for accounting purposes and income tax purposes. The income taxes will be payable in future years when taxable earnings exceed earnings for accounting purposes.

Use of Estimates

The amounts recorded for amortization and depletion of the petroleum and natural gas properties and the estimated costs of future renewal and site restoration are based on estimates of reserves and future costs. By their nature, these estimates and those related to the future cash flows used to assess impairment, are subject to measurement uncertainty and the impact on the financial statements of future years could be material.

3. Property and Equipment

		2000		1999
	Cost	Accumulated Amortization		Net Book Value
Petroleum and natural gas properties and equipment	\$2,188,468	\$423,831	\$1,764,637	\$2,179,461
Computer equipment	6,199	3,408	2,791	3,730
	<u>\$2,194,667</u>	<u>\$427,239</u>	<u>\$1,767,428</u>	<u>\$2,183,191</u>

Notes to Financial Statements

4. Common Shares

Authorized

Unlimited number of common voting shares

Unlimited number of first preferred shares issuable in series

Issued common shares:

	Number of Shares	Amount \$
Balance at December 31, 1997	4,100,000	520,000
Issuance of common shares	893,824	616,740
Issuance costs	-	(30,992)
Balance at December 31, 1998	4,993,824	1,105,748
Issuance of flow through common shares	48,000	24,400
Income tax effect on flow through common shares	-	(10,888)
Balance at December 31, 1999	5,041,824	1,119,260
Exercise of options	437,500	87,500
Issuance of flow through common shares	612,500	164,375
Income tax effect on flow through shares	-	(73,344)
Issuance costs	-	(1,005)
Balance at December 31, 2000	6,091,824	1,296,786

Included in shares issued are 3,000,000 common shares which were held in escrow, of which, 1,000,000 shares were released from escrow during 1999. No future releases shall occur without written consent of the Executive Director of the Alberta Securities Commission.

The company adopted a common share option plan for its directors, officers and key employees and has granted options to purchase 520,000 common shares at \$0.30 per share. These options expire as follows:

420,000 shares	May 15, 2005,
100,000 Shares	June 26, 2005.

The common share option plan is subject to regulatory approval.

Notes to Financial Statements

5. Loss and Cash Flow Per Share

Basic loss per common share and cash flow per common share have been calculated based upon the weighted average number of shares outstanding during the year, of 5,439,975 (1999- 4,995,009).

Fully diluted loss per common share and cash flow per common share have been calculated based upon the weighted average number of shares outstanding of 5,707,810 (1999- 4,879,569).

6. Statements of Cash Flows

	2000	1999
	\$	\$
Decrease (increase) in accounts receivable	(151,522)	36,713
Decrease (increase) in prepaids	(6,868)	10,636
Increase (decrease) in accounts payable	318,500	(7,354)
	<u>160,110</u>	<u>(39,995)</u>

The following cash payments have been included in the statements of cash flows:

	2000	1999
	\$	\$
Interest	25,929	43,023
Income taxes	-	-

7. Commitments

The minimum rentals payable under an office rent lease, exclusive of certain operating costs, for which the Company is responsible are as follows:

2001	\$822
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Notes to Financial Statements

8. Income Taxes

The effective income tax rate based on accounting earnings (loss) differs from combined Federal and Provincial income tax rates. The main differences are summarized as follows:

	2000	1999
Loss before income taxes	\$(217,486)	\$(215,067)
Corporate tax	44.6%	44.6%
Computed tax recovery	\$(96,999)	\$(95,920)
Increase (decrease) resulting from		
Share issuance costs deduction	(7,530)	(7440)
Other	135,198	2,642
	<u>30,669</u>	<u>(100,718)</u>

At December 31, 2000 the Company had the following estimated balances available to apply against future years' taxable income:

	\$
Cumulative eligible capital	18,000
Undepreciated capital cost	368,000
Canadian development expenses	72,000
Canadian exploration expenses	844,000

The company has non-capital income tax loss carryforwards of approximately \$189,000 available to apply against future years' taxable income. These carryforwards expire as follows:

2004	\$49,000
2005	\$17,000
2006	\$46,000
2007	\$77,000

9. Financial Instruments

The company's financial instruments consist of cash, accounts receivable and accounts payable. Unless otherwise noted, it is management's opinion that the company is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximates their carrying values, unless otherwise noted.

10. Comparative Figures

Comparative figures have been reclassified to conform to current year's presentation.

Corporate Information

Head Office

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Calgary, Alberta T2P 1C2
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Facsimile: (403) 263 0477
email: endlessenergy.ab.ca
web: www.endlessnrg.ca

Directors

Donald W. Axford
D. Jon Axford
Bryon J. Seaman
Victor Skurat

Management

D. Jon Axford	President
Larry S. Martin	Chief Financial Officer
William H. Smith	Corporate Secretary
Barbara Goodwin	Administrative Assistant

Auditors

Hudson & Company LLP
Chartered Accountants
Calgary, Alberta

Legal Counsel

McCarthy Tetrault
Calgary, Alberta

Bankers

Canadian Western Bank
Calgary, Alberta

Engineers

Martin Brusset
Calgary, Alberta

Registrar & Transfer Agent

Computershare Investor Services
Calgary, Alberta

Stock Exchange Listing

CDNX - AB
Symbol : EEC

For further information contact

D. Jon Axford
President and Director
email: jon@endlessenergy.ab.ca



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Calgary, Alberta T2P 1C2

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